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Dear Client,

We hope you have had a wonderful year and we look forward to seeing you at your upcoming tax appointment. This tax newsletter contains some of the highlights of the changing tax landscape, including what's new for 2014. If you have any questions about these or any other tax-related matters, please let us know when you call to schedule your appointment. We look forward to seeing you soon!

Beware of Scam IRS Calls

The IRS has issued a consumer alert providing taxpayers with tips to protect themselves from telephone scam artists who call pretending to be with the IRS. Remember that the IRS will never:

1. Call you about taxes you owe without first mailing you an official notice.
2. Demand that you pay taxes without giving you the opportunity to question or appeal the amount they say you owe.
3. Require you to use a specific payment method for your taxes, such as a prepaid debit card.
4. Ask for credit or debit card numbers over the phone.
5. Threaten to bring in local police or other law-enforcement groups to have you arrested for not paying.

What's that New Tax?

New taxes you may first notice in 2014 include a Medicare surtax. The Net Investment Income Tax (NIIT) is a "3/8 percent surtax that will be due on the lesser of your net investment income for the year, or the amount by which your "modified adjusted gross income" – or MAGI – exceeds those income thresholds. And yes, if you're a high earner, you might get hit with both the 0.9 percent Additional Medicare Tax and the 3/8 percent NIIT surtax. Note that the Additional Medicare Tax applies to your earned income and the NIIT applies to investment income. What investment income is subject to this? Generally interest, dividends, capital gains, rental and royalty income, nonqualified annuities, businesses that are taxes on your return as "passive activities" and income from businesses involved in the trading of financial instruments or commodities are affected. Please call or email for more information on this.

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New IRS "Taxpayer Bill of Rights" Available in Six Languages

Each and every taxpayer has a set of fundamental rights they should be aware of when dealing with the IRS. Explore your rights and our obligations to protect them:

The Right to Be Informed, The Right to Quality Service, The Right to Pay No More than the Correct Amount of Tax, The Right to Challenge the IRS's Position and Be Heard, The Right to Appeal and IRS Decision in an Independent Forum, The Right to Finality, The Right to Privacy, The Right to Confidentiality, The Right to Retain Representation, and the Right to a Fair and Just Tax System.

Home Office Deduction Not Precluded by Minor Personal Use

The U.S. Tax Court recently sided with the plaintiff in a recent case involving the rules surrounding the home office deduction. The deduction is allowed for the portion of a residence that is used exclusively and on a regular basis as the principal place of business for a taxpayer, even when there is occasional "personal" use if that use is de minimis. Setting aside an area of the dwelling for exclusive use is not always easy, however. In Lauren Miller's case, the IRS challenged her deduction for the expenses allocable to one-third of her New York City studio apartment of 700 square feet.

"Although petitioner admitted that she used portions of the office space for nonbusiness purposes, we find that her personal use of the space was de minimis and wholly attributable to the practicalities of living in a studio apartment of such modest dimensions." Therefore, the court concluded that Miller was entitled to the home office deduction. This was a "summary opinion," which means it cannot be appealed by either side, and can't be treated as precedent for any other case.

A New Tax Bracket

The tax year 2013 brought us a new top tax bracket, so the tax returns you file on or before April 15, 2015 will feature some people sending Uncle Sam a bigger portion of their income. 39.6 percent for incomes of more than \$406,750 (for single filers) or \$457,600 (married, filing jointly).